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ZNY CCCCC ZZH  
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FM AMEMBASSY JAKARTA  
TO RUEHC/SECSTATE WASHDC 1498  
INFO RUEHZU/ASIAN PACIFIC ECONOMIC COOPERATION COLLECTIVE  
RUEHBY/AMEMBASSY CANBERRA 9252  
RUEHJA/AMCONSUL SURABAYA 1299  
RHMFISS/DEPT OF ENERGY WASHINGTON DC  
RUCPDOG/DEPT OF COMMERCE WASHDC

C O N F I D E N T I A L SECTION 01 OF 02 JAKARTA 003690

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C O R R E C T E D C O P Y (ADDED CLASSIFIED BY)

E.O. 12958: DECL: 03/27/2016  
TAGS: [ECON](#) [EMIN](#) [ENIV](#) [PGOV](#) [ASEC](#) [ID](#)  
SUBJECT: FREEPORT SEES LOOSE-KNIT GROUP BEHIND PAPUA  
PROTESTS

REF: A. A. JAKARTA 03484 (TENSION HIGH IN ABEPURA)

[1](#)B. B. JAKARTA 03404 (DEMONSTRATIONS TURN VIOLENT)

[1](#)C. C. JAKARTA 02492 (FREEPORT MINE CLOSED BY  
ILLEGAL MINERS)

Classified by Econ Officer Kurt van der Walde for reasons 1.4 (b) and  
(d)

[1](#)1. (C/NF) Summary. Calm returned to the Indonesian province  
of Papua over the March 18-19 weekend following the deaths of  
four security officials during a March 16 rampage by  
anti-mining protestors. A disparate group of political and  
economic actors with varied agendas use anti-Freeport  
sentiment to fuel their pursuit of political power or

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economic profit, according to PT Freeport President Director  
Adrianto Machribie, who briefed the Ambassador, March 20.  
Machribie described recent protests at ExxonMobil's Cepu  
site and the weekend destruction of a Newmont Mining company  
exploration camp on the island of Sumbawa as a continuation  
of this possibly orchestrated backlash against Western  
investors. The Ambassador and Machribie agreed to explore  
whether the GOI might create an independent body, similar to  
the Agency for Reconstruction and Rehabilitation (BRR) in  
Aceh, to administer at least some of the Special Autonomy  
monies paid by Freeport. End Summary.

[1](#)2. (C/NF) Calm returned to the Indonesian province of Papua  
over the March 18-19 weekend following the killing of four  
security officials on March 16 during a rampage by  
anti-Freeport protestors. Police have made 14 arrests and  
questioned more than 80 in connection with the violence,  
according to news reports. President Susilo Bambang  
Yudhoyono has called for calm in the restive province.  
Security Coordinating Minister Widodo replaced the police  
commander in Jayapura, which seems to have lowered the  
tension in the provincial capital. The deaths of the  
security officials at the hands of protestors culminated a  
series of protests throughout the country which ignited when  
illegal local miners began a blockade of the Freeport  
facility at milepost 74 on February 22. The illegal miners  
continue to protest for increased economic benefits,  
including the right to sift the Freeport mine tailings in  
search of trace gold and access to Freeport community  
development funds, according to Freeport.

Freeport: Disparate Group Behind Protests  
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[1](#)3. (C/NF) Protests around the country--in Jakarta, Manado,

Northern Sulawesi and the Papuan provincial capital Jayapura as well as the violent attack on the Sheraton Hotel in Timika near the Freeport mine Checkpoint 1--result from a disparate group of economic and political actors seeking power or economic enrichment or both, according to Machribie. He said, however, that Freeport and the GOI still are trying to figure out who provides leadership and resources to the protests.

14. (C/NF) Machribie speculated that several streams appear leading and feeding resources to the protests. First, former presidential candidate and past speaker of the People's Consultative Assembly (MPR) Amien Rais seems to see fomenting ultra-nationalist sentiment as a way of unifying his National Mandate (PAN) political party behind him as he prepares to make another run at the presidency in 2009. Machribie did not accuse Rais of inciting the violence, only that he used it opportunistically. He said PAN had split before Rais began his most recent round of attacks in the beginning of the year, but it now seems firmly behind him. Machribie added that the Muslim-based United Development Party (PPP) recently issued a statement that condemned Rais indirectly and called on all parties to show restraint in the wake of the anti-mining protests.

#### Jakarta Elite Want a Stake on the Cheap

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15. (C/NF) The second stream feeding the protests, according to Machribie, seems to flow from the Jakarta political elite who hope to use the tumult to make a tidy short-term profit on PTFI shares, or better yet to gain a sizeable chunk of the company on the cheap. Machribie showed the Ambassador a letter to Freeport-McMoRan written on behalf of local businessman Peter Sondakh. Sondakh offered to purchase a significant, non-controlling share of PTFI equity. Machribie speculated that Sondakh might represent the interests of Coordinating Minister for Peoples, Welfare Aburzial Bakrie and Vice President Jusuf Kalla.

16. (C/NF) Machribie said Sondakh's offer does not come close

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to representing a controlling interest in PTFI. He expressed puzzlement over Sondakh's offer to buy a non-controlling stake in PTFI instead of shares in parent company Freeport-McMoRan, much more liquid and actually cheaper than PTFI equity. He said he has heard rumors for some time that members of the Jakarta elite might try to use the protests to make short term profits by depressing the stock price of Freeport McMoRan. The shares did fall 14 percent during the initial protest in February though they have since recovered to pre-strike levels. (Comment: We have heard rumors along these lines as well, but the logic eludes us. Trying to depress the price of a minerals company for a quick short-term profit during a historic boom in global prices does not seem the best strategy to maximize return on investment. Peter Sondakh might serve as a front for Bakrie and Kalla, but Machribie offered no proof. It seems just as likely, however, that he seeks somewhere to invest the USD 800 million in cash that he got last year for selling his telecommunications company. End comment).

#### Papuan Separatists See an Opening

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17. (C/NF) A third stream feeding the protests seems to come from the Papuan separatist camp. Machribie noted that the March protests took place as the Papuan separatist cause gained a higher international profile. London-based NGO Tapol plans to take the issue of Papua's 1969 annexation under the Act of Free Choice to the International Court of Justice in The Hague, using the Drooglever report commissioned by the Dutch parliament. Machribie added that anger over rampant corruption among provincial and regency officials has stoked Papuans, disenchantment. Average

Papuans see few benefits from the royalty and tax payments by Freeport and other extractive industries that should go to the province under the Special Autonomy law. This corruption hurts Freeport,s image with Papuans as well. Machribie and the Ambassador saw as worthwhile to propose that the GOI create an independent body, similar to the Agency for Reconstruction and Rehabilitation (BRR) in Aceh, to administer at least some of the Special Autonomy monies in a more transparent and independent way.

18. (C/NF) Machribie said PTFI thinks it has support from the President after a long meeting with SBY last week. He added that PTFI also got support from Minister of Energy and Mineral Resources Purnomo. Machribie hoped that PTFI,s troubles would lead to a demand within Indonesia for greater transparency in the distribution of extractive industry revenue. He sees foreign investors in the energy and mining sectors facing tumultuous months and perhaps years. Machribie described protests at ExxonMobil,s Cepu site and the destruction of a Newmont exploration camp on the island of Sumbawa as a continuation of an orchestrated backlash against Western investors.

19. (C/NF) Comment: Machribie did not offer a grand conspiracy theory, nor did he imply that all the actors described worked in concert, only that they opportunistically jumped on the bandwagon. This seems plausible since we find it unlikely, for example, that Amien Rais would work with Bakrie and Jusuf Kalla. While we find it unlikely that Amien is able to orchestrate attacks against Western businesses, we do find it plausible that he would use the Freeport issue to gain populist support.  
PASCOE